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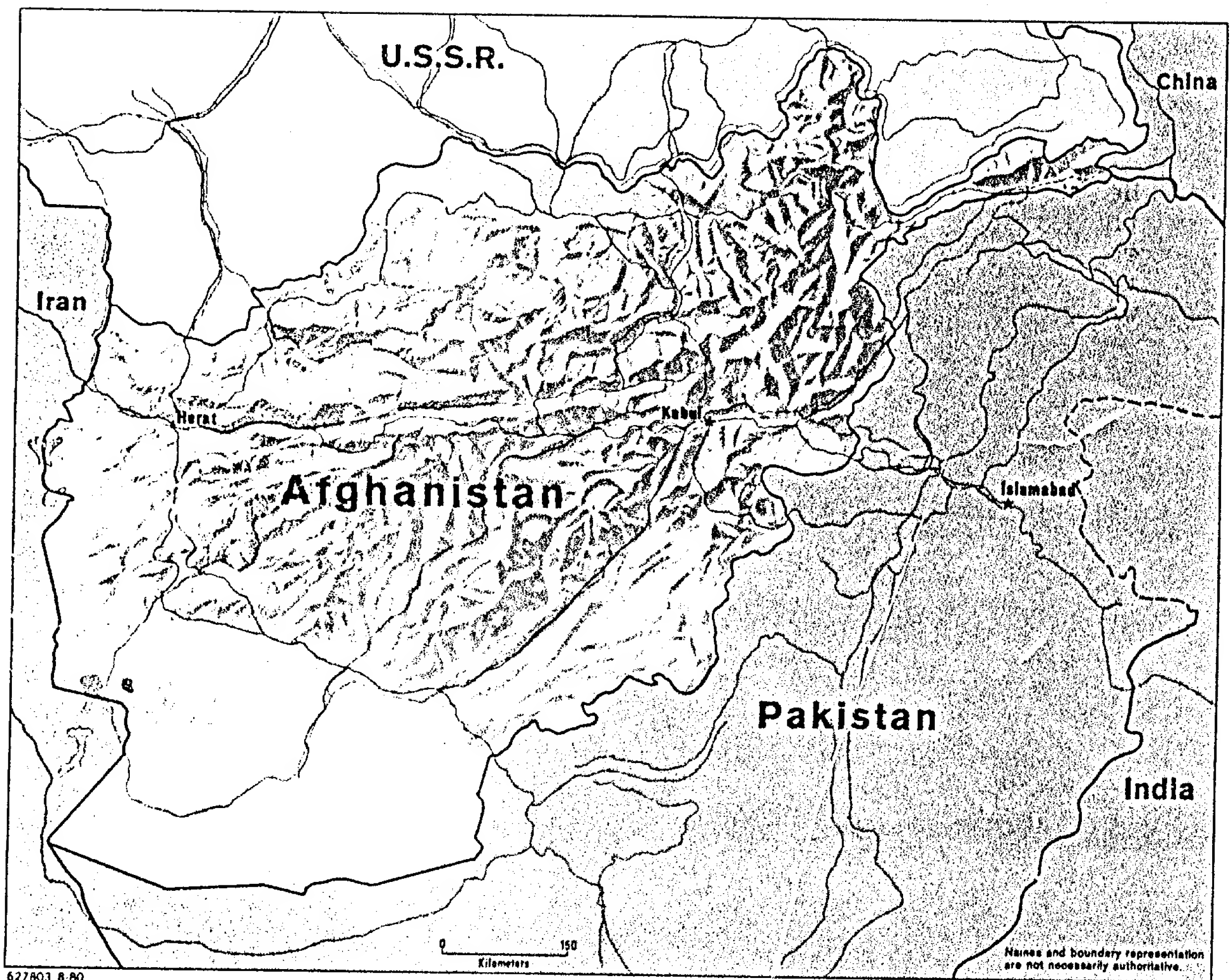
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SITUATION REPORTS

USSR-AFGHANISTAN

*Security conditions in Afghanistan's third largest city of Herat, which has been plagued with strikes, demonstrations, and assassinations against government officials since the Soviet invasion, apparently have deteriorated*

Soviet and Afghan soldiers reacted by sealing off the southeastern and southwestern portions of the city, evacuating the population to a nearby mosque and a sports stadium, and conducting a house-to-house search for insurgents.

Last weekend, a Soviet battalion moved to block access to Herat and to free additional Afghan forces for deployment to the city itself.

What prompted the insurgents to increase their activity is unclear. The government does not appear to have provoked the trouble

The emotion and irritation that prevail during the prayers and fasting in the holy month of Ramadan probably contributed to the unrest.

Soviet troops evidently followed the practice employed in other urban areas and allowed Afghan police and soldiers to do most of the fighting. In the short term, the Soviets appear willing to tolerate a higher level of unrest in outlying cities such as Herat than they permit in the highly visible capital of Kabul.

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IRAN

Formation of the Government

Prime Minister Rajai on Monday said that he expects to name his cabinet within the 10-day period allotted by the Iranian constitution. He has not yet indicated which individuals are under consideration, but has said that their revolutionary credentials must be impeccable. Ayatollah Rafsanjani--who has become more prominent since his selection as speaker of the Islamic Consultative Assembly--said on Monday that a new cabinet may win Assembly approval by the end of next week.

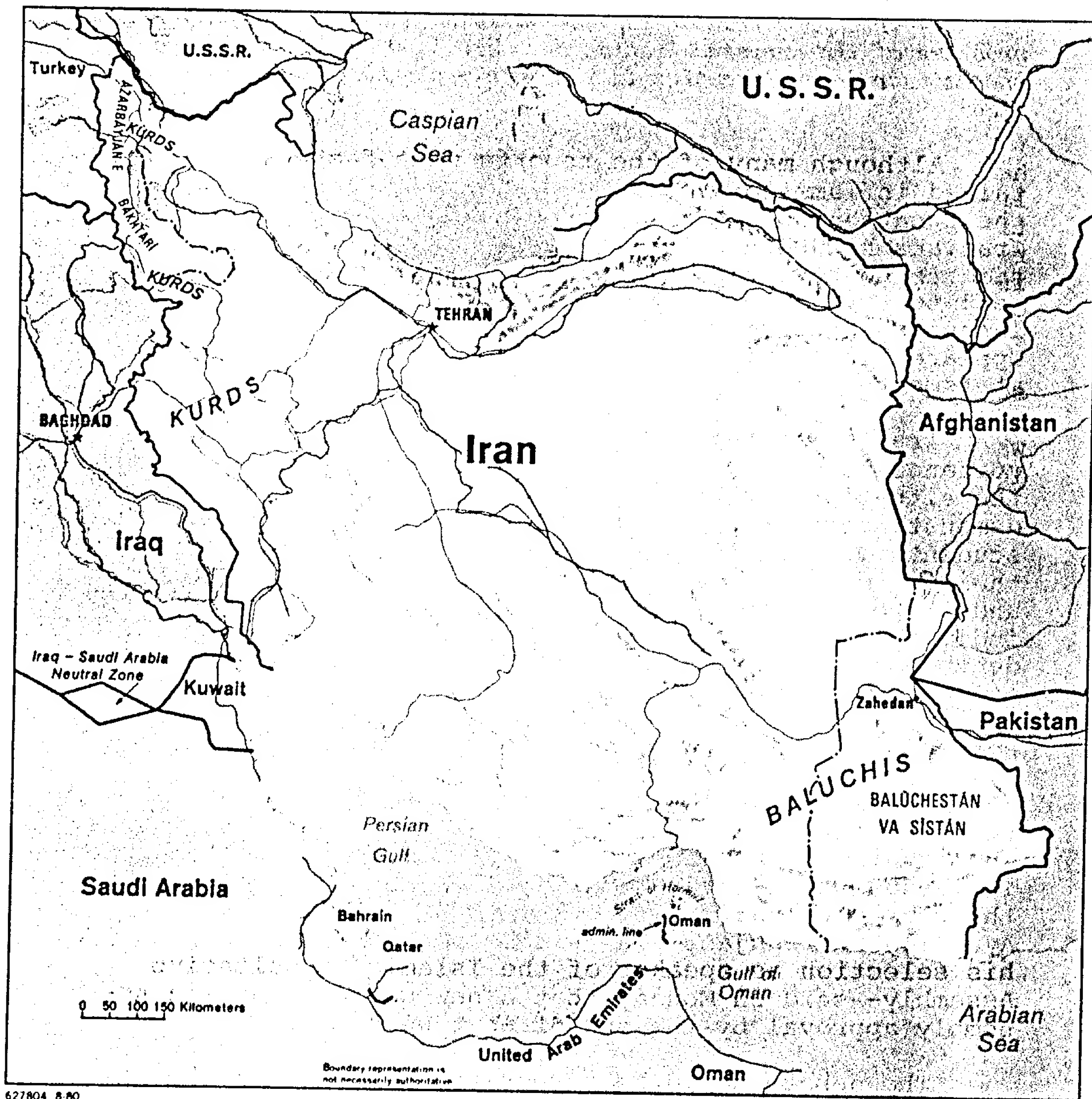
The debate could be extensive, however, if the Assembly decides to review in detail the qualifications of each Rajai nominee or if there is disagreement over the

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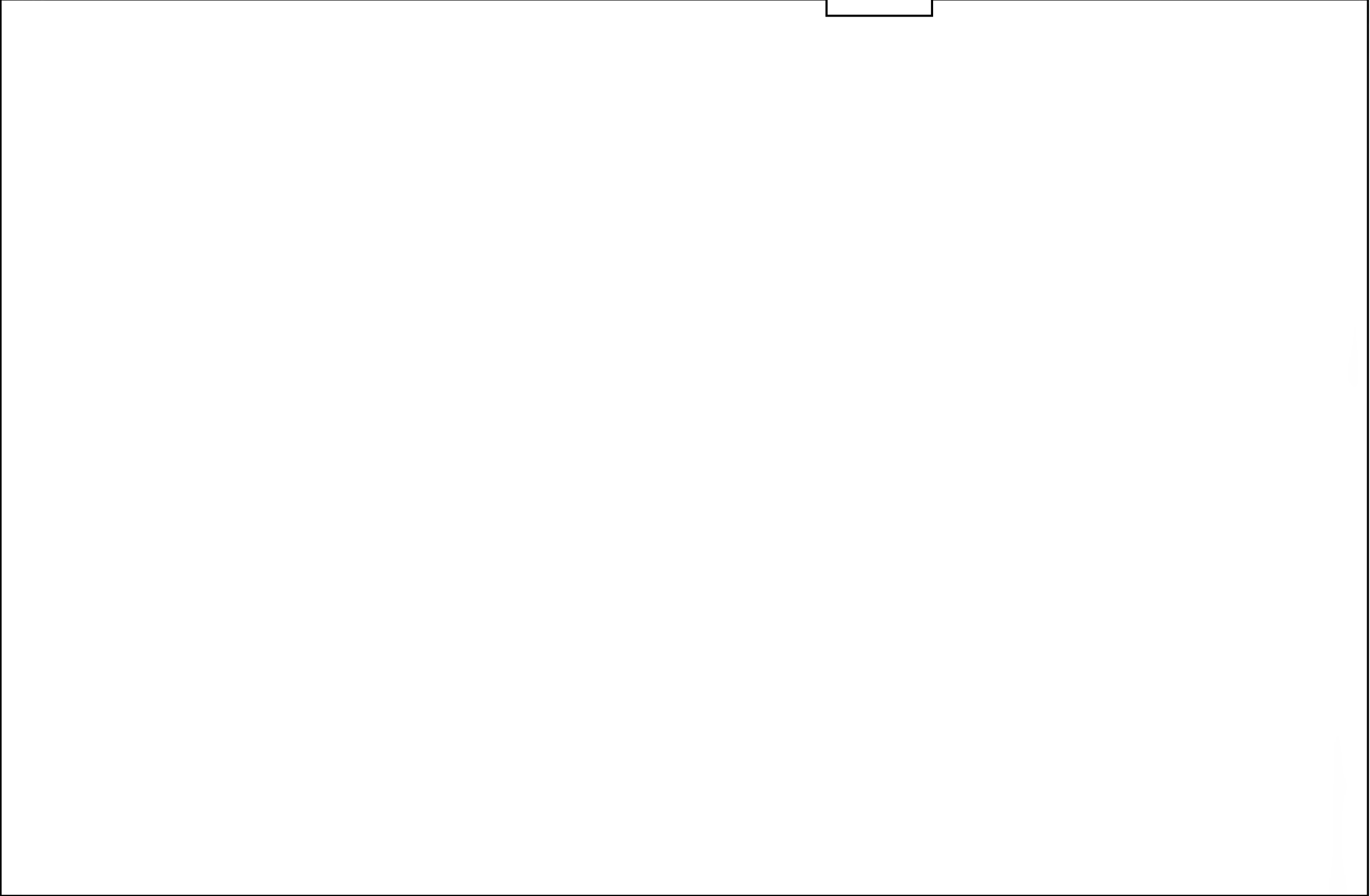
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Rajai government's program, which also must be approved by the legislature. Rajai has refused to comment on the contents of his program and has provided no insight into how the hostage issue will be handled. 



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BRIEFS AND COMMENTS

IRAQ-NIGER: Uranium Purchase

*Iraq's purchase of 200 tons of uranium from Niger is the latest evidence of Baghdad's efforts to stockpile uranium for its nuclear program.* [REDACTED]

[REDACTED] a semirefined concentrate that is not normally subject to international safeguards until the material is converted into a more usable form. [REDACTED]

Negotiations for the uranium may have begun last September, when Iraqi President Saddam Husayn and Nigerien President Kountche met in Havana. Special Nigerien envoys subsequently traveled to Iraq, and in June Kountche visited Baghdad and signed an accord that provides for cooperation in the area of minerals. [REDACTED]

Kountche also visited several other Arab countries as part of an effort to expand uranium sales and acquire economic aid. Niger faces a possible revenue loss because France is renegotiating its uranium contracts with Niger in an attempt to end the highly subsidized prices it has been paying Niger for uranium concentrate. [REDACTED]

[REDACTED]

As a signatory to the Non-Proliferation Treaty, Iraq has agreed to place all of its nuclear facilities under International Atomic Energy Agency safeguards. The Iraqi program, however, is not adequately monitored. [REDACTED]

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INTERNATIONAL: The PLO and the IMF

*Voting under way in the International Monetary Fund and World Bank over the admission of the PLO as an observer to annual meetings this year is likely to politicize further these institutions and reduce their ability to contribute to international economic development.*

The Executive Directors of the IMF and World Bank have recommended that observer status be limited to those groups that had obtained such status by 1979--a move that would block PLO admission. The voting will not end until 9 September, however, and the outcome remains very much in doubt.

Foreign response has been mixed. Potential recipients of IMF and World Bank assistance, particularly developing countries, want to avoid voting against the US on this issue. Support among these nations has been tempered, however, by recognition of OPEC oil and financial leverage.

EC support for the recommendations is positive, but the UK faces domestic political problems over the issue.

The influence of the PLO position reflects important changes in the international environment and in the financial institutions. Countries are increasingly willing to introduce previously unacceptable political issues into the affairs of "functional" international organizations. This reality is reinforced by a decline in Western financial leverage within these organizations.

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VIETNAM-KAMPUCHEA-THAILAND: Border Situation

[REDACTED]

The Vietnamese apparently are determined to break up concentrations of Pol Pot's Kampuchean resistance forces along the border and to prevent them from achieving major military gains during the remaining two to three months of the monsoon season.

[REDACTED]

The Thai have forced some of Pol Pot's forces back into Kampuchea to reduce the possibility of a large Vietnamese cross-border operation and clashes between Thai and Vietnamese troops.

[REDACTED]

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INTERNATIONAL: Threatened OAPEC Boycott

Saudi Arabia and Iraq recently threatened to cut off oil supplies to 13 nations--the Netherlands and 12 from South and Central America--with diplomatic missions in Jerusalem. A boycott by members of the Organization of Arab Petroleum Exporting Countries and Iran would probably have little or no impact on oil supplies to the threatened countries. Other than Chile and Uruguay, the countries with missions in Jerusalem depend very little on oil from OAPEC countries and Iran. While the Netherlands imports a large volume of OAPEC oil, most of it is processed and reexported; Dutch needs could be met from other suppliers. In a similar situation last year, Iraq cut off oil supplies to Canada.

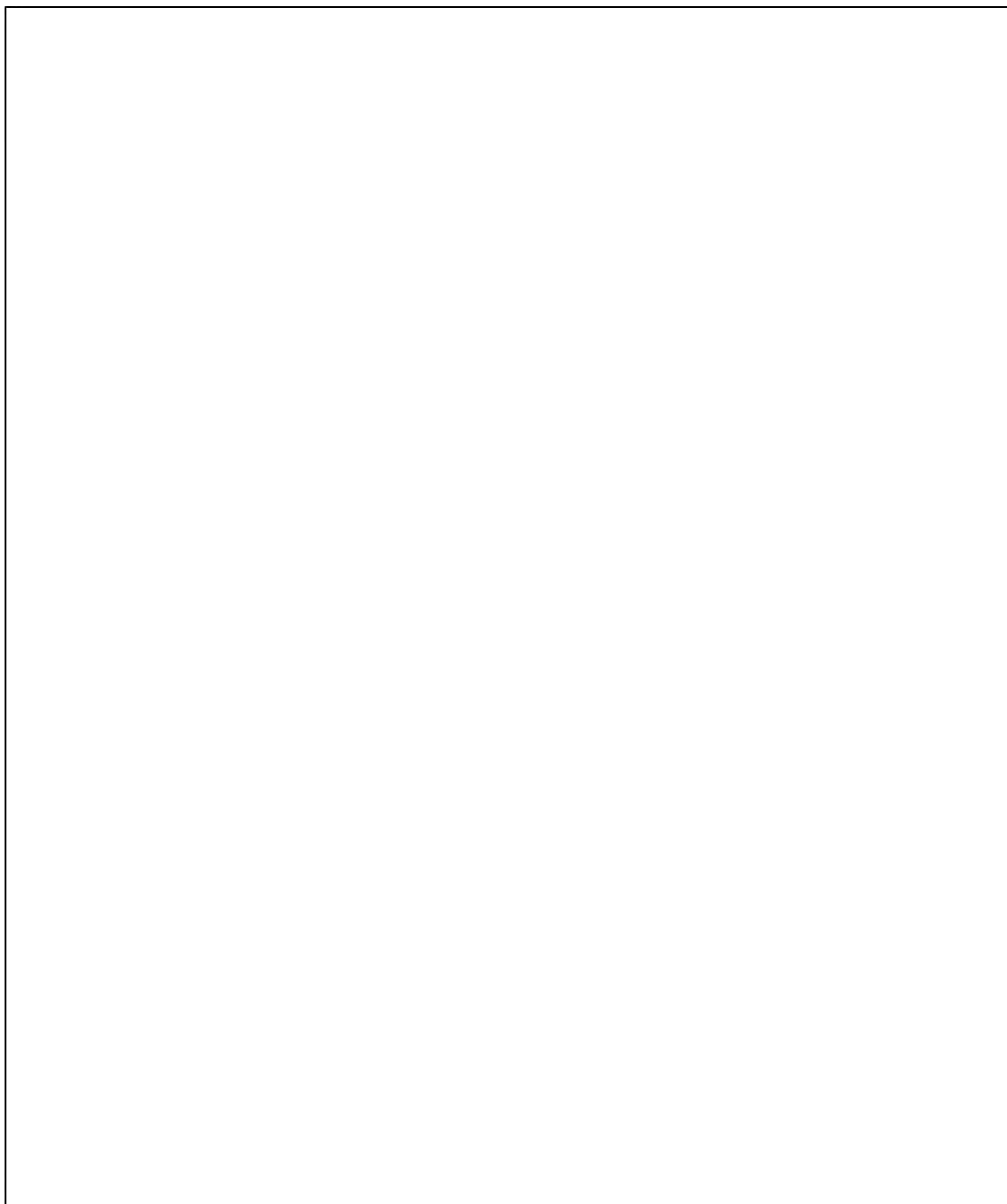
ISRAEL: Possible No-Confidence Vote

The Labor Party may submit a no-confidence motion at the special session of parliament called today to ratify Prime Minister Begin's nomination of a new Minister of Justice. Begin, who has called for the return of coalition Knesset deputies vacationing abroad, should be able to rally sufficient votes to approve his nominee and to defeat any attempt by Labor to unseat his coalition.

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ALGERIA: Deployment of T-72 Tanks

Algeria may have fielded  
Soviet T-72 tanks.

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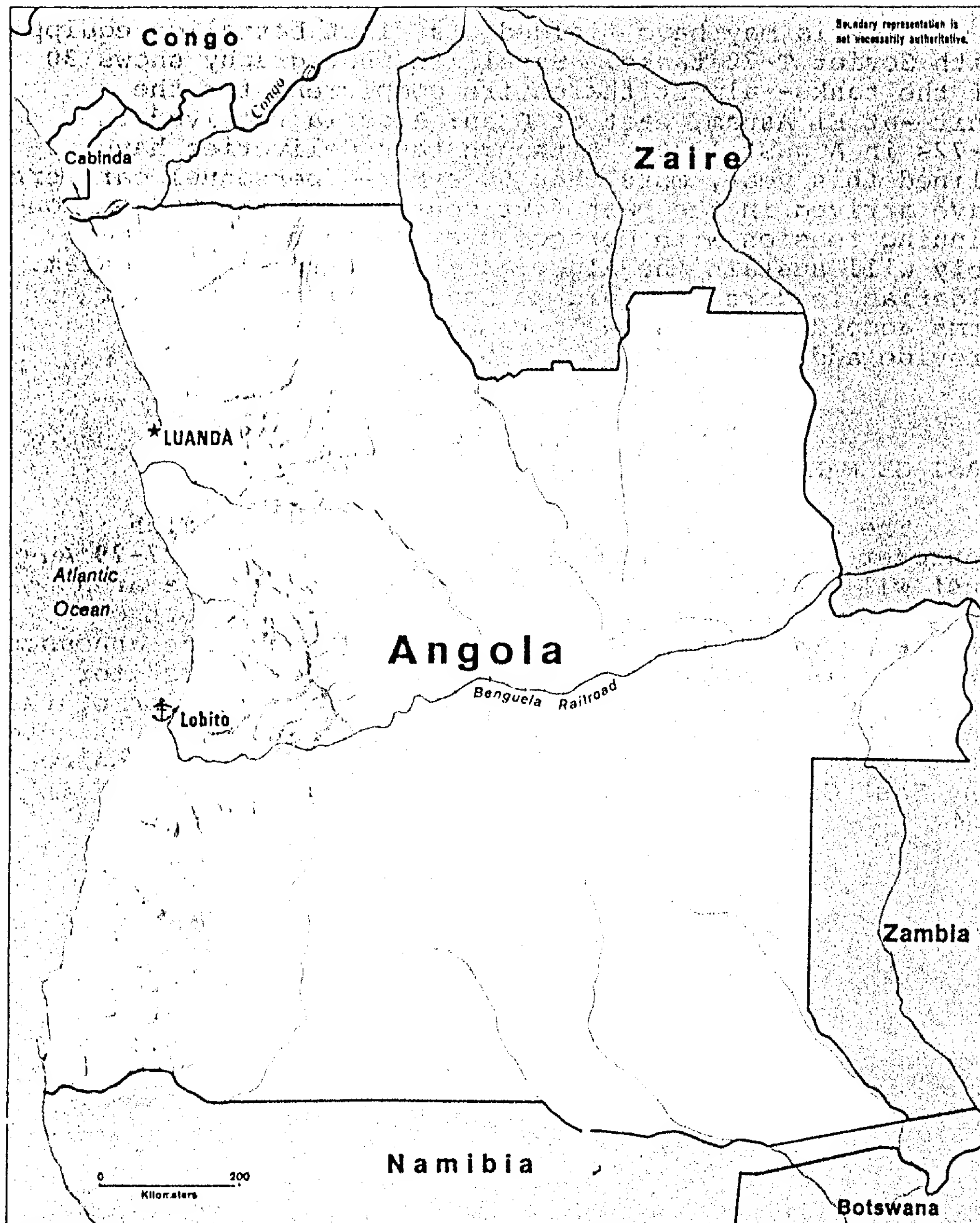
tinuing tension with Morocco over Western Sahara probably will sustain the Algerian arms procurement program. Algerian leaders are said to have negotiated another arms accord with Moscow last year that is likely to provide additional T-72s.

EAST GERMANY - WEST GERMANY: Summit Shifted

The meeting of East German party leader Erich Honecker and West German Chancellor Schmidt on 27-29 August will take place at Werbellin Lake, a remote area northeast of Berlin, and not at the Baltic resort of Ostseebad Dierhagen, according to an East German announcement. This shift of venue poses "great problems" for Bonn, and Schmidt's staff is seeking clarification of the move. The press has been told that Schmidt will not enter East Berlin en route to Werbellin, so as not to enhance the East German claim to its capital city.

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ANGOLA: Sabotage Incident

On Monday, insurgents of Jonas Savimbi's National Union for the Total Independence of Angola sabotaged the port of Lobito, damaging petroleum storage facilities.

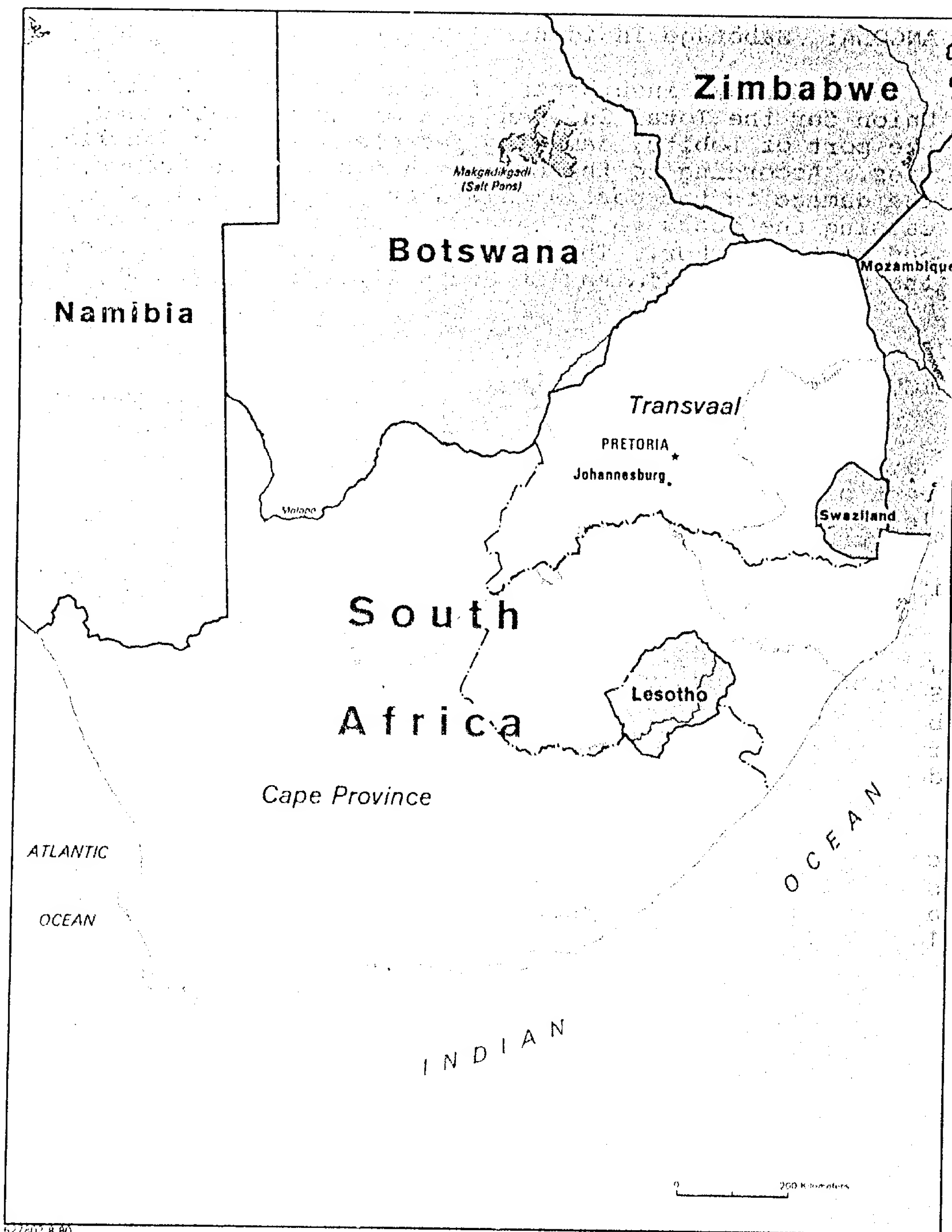
The Angolan Government has blamed the attack on UNITA and on South Africa.

ECUADOR: Presidential Victory

President Roldos scored an important political victory on Monday when his candidate was elected president of the Chamber of Representatives. Under the leadership of its former president, Assad Bucaram, the Chamber had frustrated much of Roldos' program, creating an impasse during the first year of his administration. The new leadership of the Chamber will not be subversive, but government-sponsored legislation should find smoother sailing, enabling Roldos to turn more of his attention to economic and social issues.

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## SPECIAL ANALYSIS

### SOUTH AFRICA: The Black Labor Problem

[REDACTED]

*Black workers now make up 70 percent of South Africa's labor force, and unrest among this group appears likely to increase despite the government's commitment to provide black workers with increased economic benefits. Although more black unions are being formed, the government is unlikely to meet their demands for more rapid movement toward complete equality in industrial relations.* [REDACTED]

After several peaceful years on the labor scene, unrest among the black industrial work force has increased significantly over the last 12 months. A number of important industries have been affected, including the automotive centers of eastern Cape Province, gold and diamond mines, textile companies, and the synthetic fuel plants in the Transvaal. [REDACTED]

The recent strike by 10,000 municipal employees in Johannesburg was the largest single strike by blacks in South African history. It also involved significant numbers of black migrant workers who, in the past, had refrained from participating in strikes for fear of being deported to the homelands. [REDACTED]

Although black wages in recent years have been increasing faster than those of whites, blacks still earn significantly less than whites. More important, blacks are restricted by regulations and lack of training to lower paying jobs. [REDACTED]

South Africa's 14-percent inflation rate has severely affected blacks, who spend a large portion of their wages on necessities. Black union leaders are now calling for a restructuring of the cost-of-living index and a minimum "living wage." [REDACTED]

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Some of the unrest reflects black unhappiness over certain aspects of the government's new policy on industrial relations. Although black unions can register legally and participate in collective bargaining under laws enacted last September, they are prohibited from engaging in political activity and are subject to government oversight once they register. Multiracial unions, moreover, are registered only in special circumstances.

Many black unions have not registered because of the ban on political activities and the restrictions on multiracial unions. In addition, white unions have begun establishing black satellite unions that remain under white control. Many recent strikes have originated over disputes between these satellite unions and independent black unions over bargaining rights with industry.

#### The Government's Position

The provision of greater economic opportunities for blacks is an important part of the government's racial reform program. In addition to allowing black union representation, the government has amended regulations prohibiting black entry into several skilled occupations and has eased travel and residency restrictions on urban black job holders.

Reform-minded white South Africans believe that economic improvements will create a black middle class with a stake in the existing system. In addition, government and business experts have warned that South Africa, already suffering from a skilled labor shortage, cannot continue a high rate of economic growth unless it begins to make more efficient use of its black labor force.

Economic growth is important not only for its own sake but also because blacks now comprise 80 percent of new entries into the labor market. South Africa will face a growing black unemployment problem unless the economy maintains at least a 5-percent annual growth rate.

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### Outlook

Government economic and labor reforms are aimed at providing just enough change to maintain stability, but they are also creating conditions that may lead to future unrest. Migrant workers, for example, who comprise about half of the black industrial labor force, are now allowed to join unions. Their association in unions with more politically aware urban blacks probably will result in greater unity among black workers and increased activism by migrant blacks. [ ]

The government believed that its reforms would remove the labor issue from the political arena, but the struggle between satellite unions and independent black unions increasingly has taken on political overtones. The leaders of independent unions are becoming more militant and their conflicts with satellite unions over black demands for legitimate and unfettered representation reflect overall the frustration of the blacks with their inferior position. [ ]

A government crackdown on independent unions and their leaders could temporarily deter unrest. In the long run, however, it probably would damage the government's attempt to establish a stable black working class. Politically aware blacks know that concerted action by black workers is the most effective form of pressure that can be exerted against the government. [ ]

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